

Minneapolis Housing Market: Are homeowners really “fleeing” the city?



July 2020

Minneapolis, Minnesota

Minneapolis Area REALTORS® (MAR)

All data from NorthstarMLS

A message from MAR President Linda Rogers

This has been a most unusual year in our community. With the onset of the COVID-19 pandemic this spring, we have made major changes in how we go about our lives and work. Real estate has been considered an essential activity throughout this period and REALTORS® have adjusted their business practices to ensure the safety of consumers. While the housing market dipped during the initial weeks of the pandemic, activity has been increasing as people feel more comfortable with buying and selling homes.

On Memorial Day, our world was rocked by the senseless killing of George Floyd, an unarmed Black man who died while being restrained by Minneapolis police. The civil unrest that followed damaged or destroyed hundreds of businesses in the city and prompted calls for police reform. The Minneapolis Area REALTORS® (MAR) stands in unity with those calls for change and is working on several fronts in pursuit of its fair housing goals.

Since Mr. Floyd's death, there have been several misleading claims and opinions on various social media platforms asserting that Minneapolis residents are fleeing the city. Too often—particularly nowadays—opinions are accepted as hard facts. To assess the veracity of these claims, it is important to conduct an analysis of the data that could either confirm or disprove the speculation. What follows is the result of that analysis.

MAR is committed to providing factual information to members, policymakers and consumers so they can make educated decisions and are empowered with the best and most accurate data.

Sincerely,

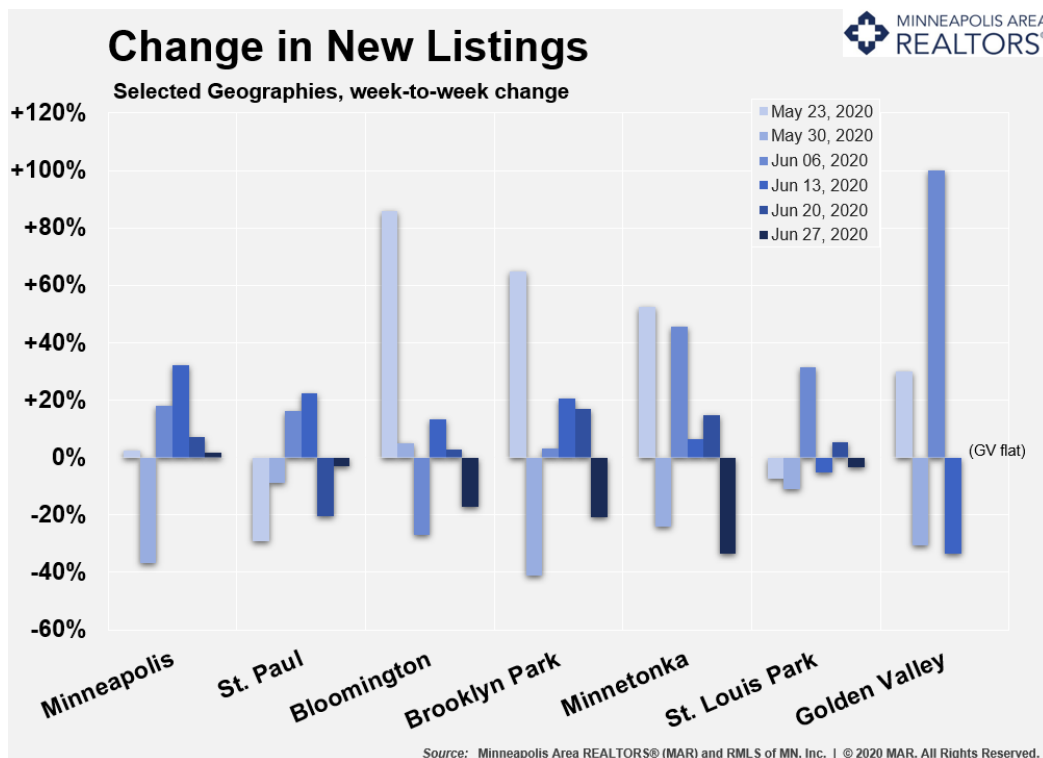
Linda Rogers
2020 MAR President

For our analysis, we chose four indicators that measure housing activity: new listings, percent of original list price received, days on market and showings. For each of these categories we compared how the city of Minneapolis performed against several surrounding communities. We chose a variety of communities (urban and suburban, large and small) and compared market performance over different ranges of time to provide a comprehensive look at the data.

We looked beyond the traditional measures of seller and buyer activity for several reasons. For example, foot traffic or showings may change more in a particular area than others. Or perhaps homes in a certain area take longer to sell (this is usually correlated to price points where higher-priced homes tend to take longer to sell, which is why comparisons within each city are important, instead of across cities). Another factor is whether sellers are getting close to asking price. If a local market were to weaken or soften, one of the first indicators is a decline in the ratio of sold price to list price. In other words, sellers are not getting as much of their asking price as in the past.

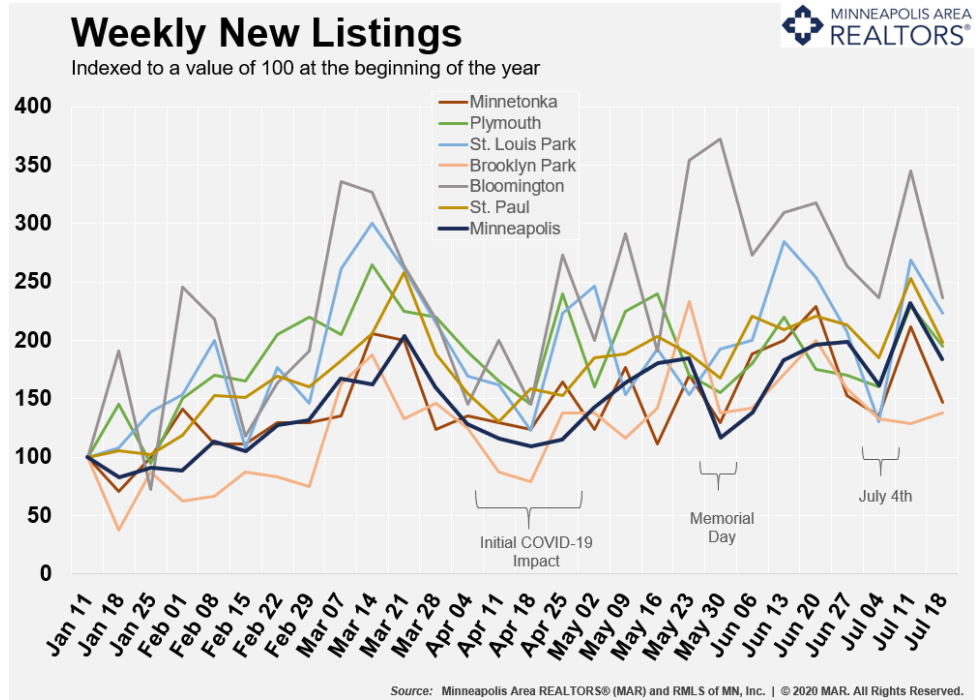
New listings

New listings is the number of new homes that are put on the market at a given time.



Looking at change in new listing activity since late-May, Minneapolis does not show a surge or even a significant increase in seller activity compared to St. Paul and other metro cities. It does seem likely, however, that the *declines* in new listings in Minneapolis for the week ended May 30th were related to the events over Memorial Day Weekend. That said, St. Paul, Brooklyn Park, Minnetonka and Golden Valley all experienced declines for that week as well.

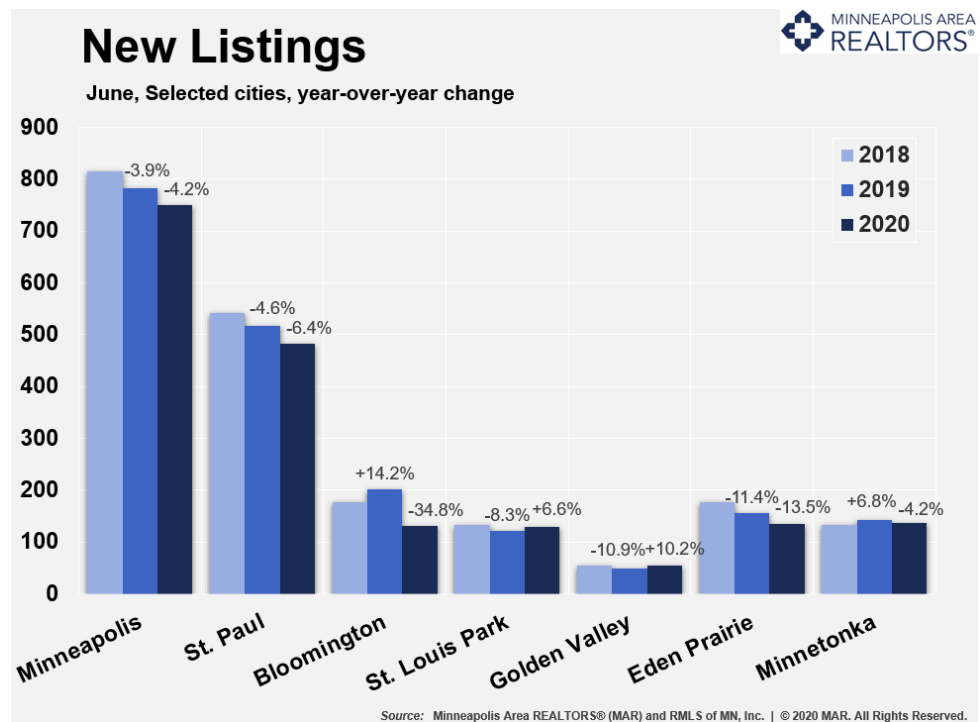
Another way to assess changes in market activity across different cities is to index the data to the starting period and track cumulative change over time. A value of 150 represents a 50 percent increase from the first week of the year. Here again, seller activity is not higher in Minneapolis than in surrounding cities. There are several noted events that have impacted the numbers, but it appears Bloomington, Brooklyn Park and St. Louis Park are each more of an outlier than Minneapolis and St. Paul.



Based on monthly instead of weekly numbers, new listings in Minneapolis fell 4.2 percent in June. For comparison, St. Paul saw a 6.4 percent decline; Bloomington had a 34.7 percent decrease; and St. Louis Park showed a 6.6 percent gain.

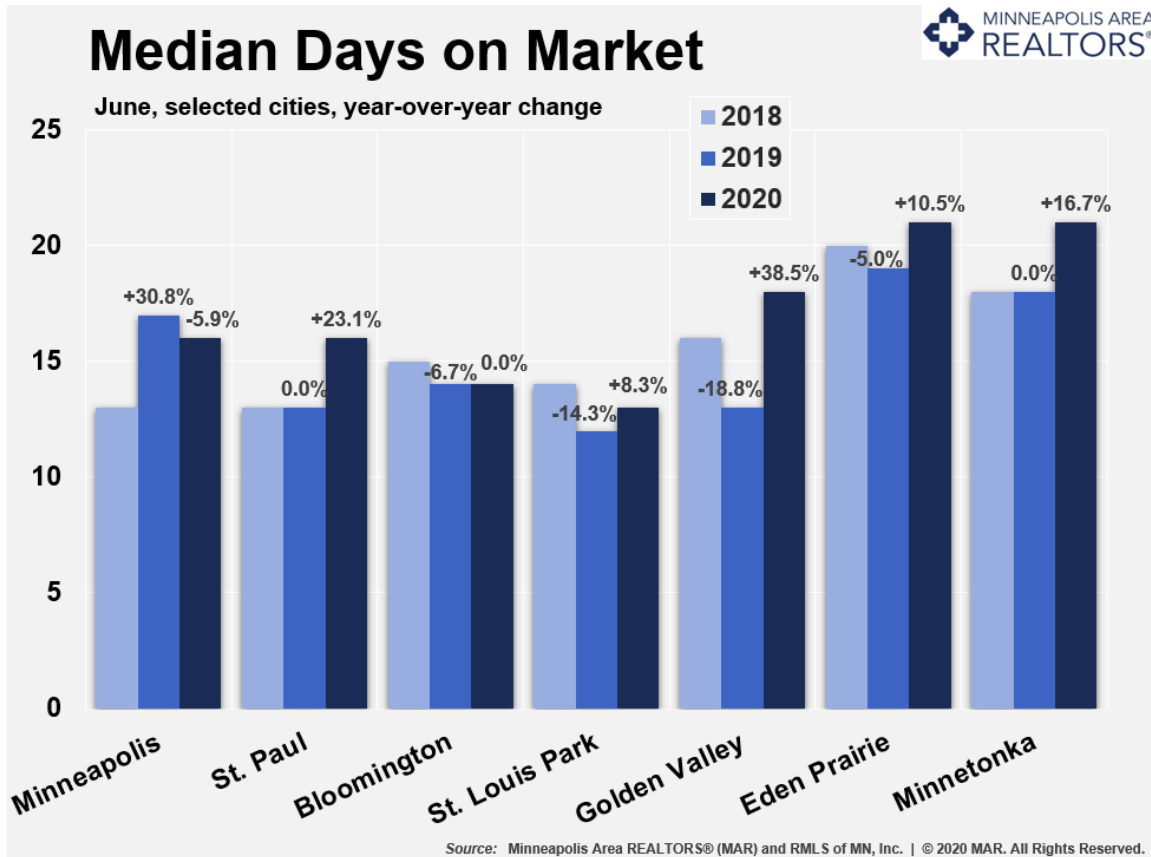
Looking at a few other cities around the metro, there still is not a noticeable increase in seller activity in Minneapolis that's meaningfully different than in other cities.

Minnetonka's 4.2 percent decline matched the Minneapolis figure, Eden Prairie saw a 13.5 percent decline, and Golden Valley bucked the trend with a 10.2 percent increase in seller activity.



Days on market

Days on market measures the number of days a listing spends on the market from when it was listed until it goes under contract (has an accepted offer).

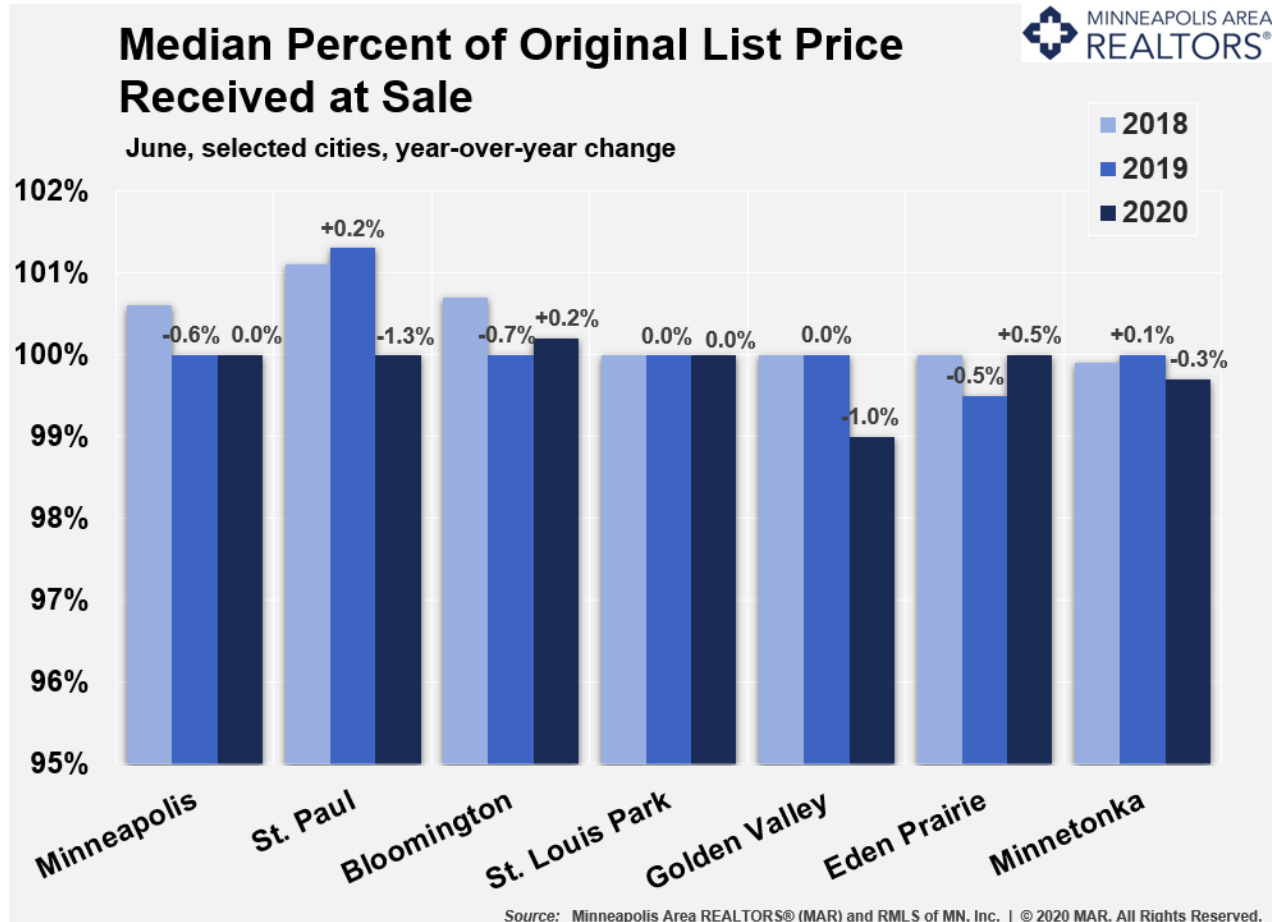


Quicker market times tend to correlate with stronger sellers' markets and upward price pressure. Minneapolis was in fact the only city to show a decline in market times. In other words, homes sold in 5.9 percent fewer days in Minneapolis this June compared to June of 2019. St. Paul actually had a 23.1 percent increase in market times. Bloomington was flat while St. Louis Park showed an 8.3 percent increase in market times. Golden Valley, Eden Prairie and Minnetonka all saw double-digit increases.

Several factors influence days on market, but it's worth noting that sellers in all of these cities still accepted offers in near-record market time. Some higher-priced listings in Golden Valley, Eden Prairie and Minnetonka can take longer to sell since the buyer pool is smaller. The fact that Minneapolis was the only city with shrinking market times suggests buyers are still very much interested and committed to living in the city.

Percent of original list price

The percent of original list price received is calculated by taking the ratio of sold price to original list price. Higher figures suggest stronger markets while lower figures suggest sellers are willing to accept a lesser share of their asking price. For the first group, Minneapolis remained stable at 100.0 percent while St. Paul declined from a high baseline over 101.0 percent. More affordable areas tend to see higher sold-to-list price ratios.

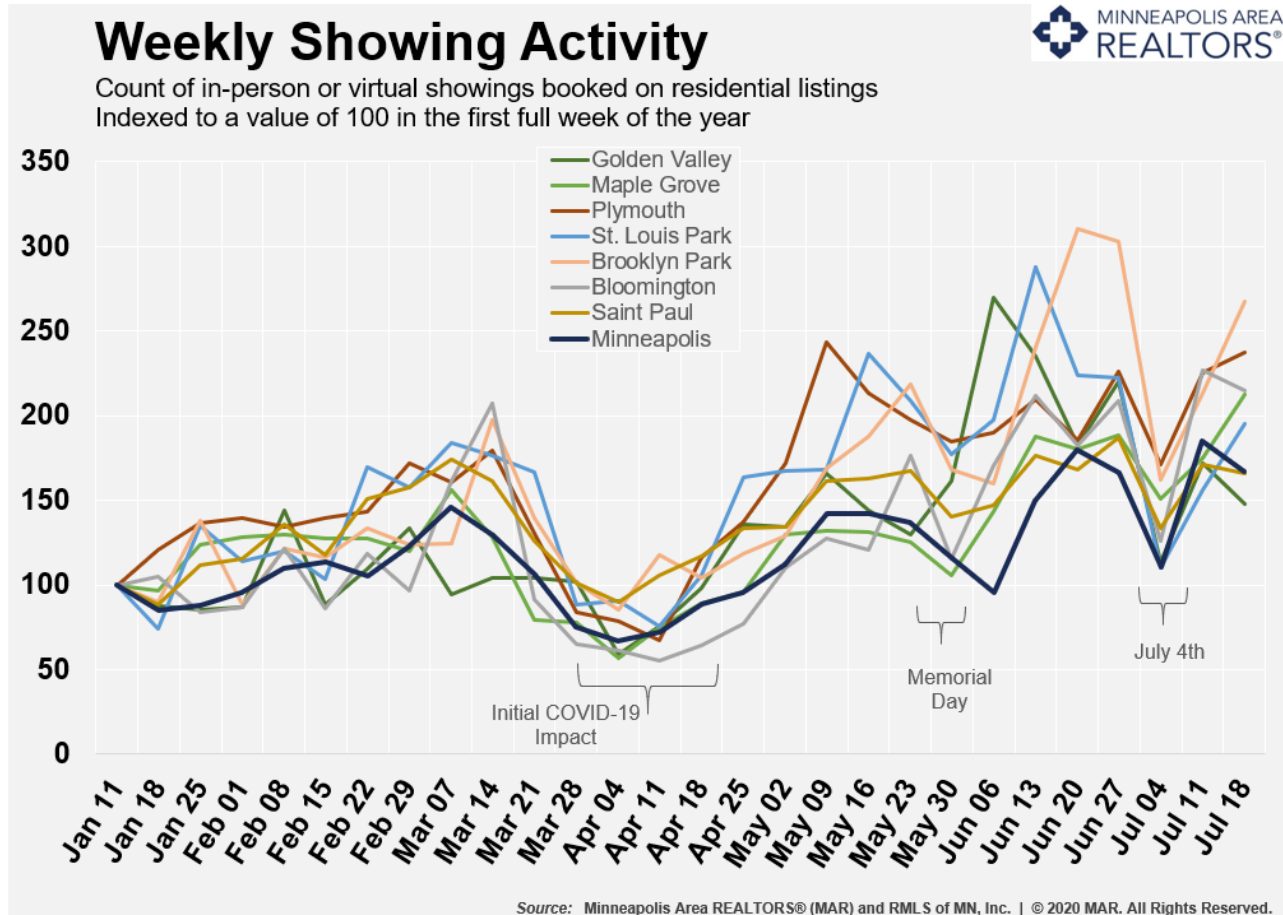


Other cities displayed a similar trend. The figure increased 0.5 percent in Eden Prairie, while it deteriorated 1.0 percent in Golden Valley and 0.3 percent in Minnetonka. Bloomington was the only other city with a gain, as buyers competed over a limited pool of affordable listings.

Even if the data did support an increase in new listings, that doesn't necessarily suggest residents or homeowners are eagerly leaving the city. It could reflect any number of dynamics, including move-up buyers, new condo projects opening or a natural transition of Millennials to the suburbs. It is also worth noting that Minneapolis is one of the most competitive markets in the Twin Cities metro. As such, there are several buyers competing for each Minneapolis listing, a factor that has led to multiple offers and competitive bidding and other measures employed in a low-inventory environment coupled with ultra-low mortgage rates. Baby boomers are also starting to age out of their homes and consider alternative living arrangements, which could lead to an increase in new listings.

Assuming for a moment there was an average of five offers on most Minneapolis properties, a modest increase in listings might mean there are three or four offers on most Minneapolis properties. In fact, an increase in new listings is precisely what many buyers are hoping and waiting for. Many buyers find themselves frustrated after writing several strong offers that are not accepted because they have been outbid. In some ways, those bidding over a limited supply of Minneapolis homes would like to see an increase in seller activity, even though the data does not show that to be happening.

Showings



As a leading indicator, showing activity can capture insights into the market prior to a pending sale. Showings can also reflect listing activity since more listings tend to fetch more showings. Compared to five other large metro cities, Minneapolis did not show any difference in activity following Memorial Day and in the weeks since. All areas saw listings take their typical dip around Memorial Day and increase since, with the largest gains in land-rich Brooklyn Park followed by Bloomington and Maple Grove.

Conclusion

In summary, a closer examination of the data does not support claims that the City of Minneapolis is seeing a disproportionate increase in seller activity in Minneapolis in the weeks following the unrest. Recent market activity in the Minneapolis isn't unique from other surrounding cities. Well-presented, turnkey properties in Minneapolis very often have multiple offers. Even if a disproportionately large share of homeowners were to list their homes, the insatiable demand is likely to absorb those extra listings, likely limiting any negative impacts on values.

Moreover, there are a multitude of factors impacting market dynamics at any given time, including recent disruptions from COVID-19. Millennials may also be listing smaller properties in the city in search of more square feet and a larger yard in the suburbs. Record-low interest rates have encouraged some buyers to seek out larger homes with a second (or third) home office—a product largely found in the suburbs. A shortage of existing homes closer in has also forced buyers to look further out, including new construction properties. Since one in three condo sales in the metro occur in Minneapolis, the city will be more impacted by any shifts in the condo market—another dynamic unrelated to recent unrest.

We remain hopeful that our policy discussions and general discourse will become increasingly rooted in facts and data. Data has the power to get all stakeholders on the same page. Leveraging said data everywhere from corporate boardrooms and the halls of congress to our homes and communities will better inform decisions and lead to better outcomes for our region, state and nation.

For media inquiries and to be included in our media distribution list, please contact Telly Mamayek at TellyM@MPLSrealtor.com or 952-988-3138.

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For future data and reporting needs, please visit <https://www.mplsrealtor.com> and click on “Market Data.”